



## Request for Budget Decision

<b>Project/Decision:</b>	<b>Operation and Maintenance of Anicinabe Park</b>
<b>Department:</b>	<b>Recreation and Culture</b>

### **Recommendation:**

That Council considers this revenue generation option as part of the 2025 Operating Budget process.

### **Background**

This report explores the feasibility, advantages, and potential challenges of transitioning campground operations from an outsourced model to in-house management. By assuming direct control, the organization can improve operational efficiency, enhance customer satisfaction, and retain a larger share of revenue. This shift requires careful planning, investment in resources, and an analysis of risks to ensure a successful transition.

Currently, the Anicinabe Park campground operations are managed by a third-party contractor through an operating and maintenance agreement. The most recent contract ran for the period starting January 1, 2019, to October 31, 2023, and was extended in accordance with the agreement until October 31, 2024, at which time it expired.

The Contractor is required to provide all supplies, materials, equipment, and staff required to maintain and operating the facilities as defined by the City of Kenora Operational Performance Standards. The performance standards set a minimum level for park operations; they include:

- Administration and Staffing – supervisory/clerical, facility and grounds maintenance, visitor/guest services, marketing, and security
- Sanitation and building cleaning including garbage collection
- Equipment, materials, and supplies required.

The cost structure of the historical outsourced model established a set annual revenue that averaged \$30,284/year for the duration of the previous contract. In 2024, revenues are \$32,704.85. The outsourced model has allowed for contractors to create and retain all revenues exceeding the base contract. While this model has provided some operational convenience, it has limited the organization's ability to fully capitalize on revenue opportunities, maintain quality standards, and to directly influence customer experience.

### **Objectives of In-House Operations**

- **Operational Flexibility:** Direct control allows for quick adjustments as required.
- **Increased Revenue Retention:** Eliminating contractor fees can boost profitability, operational control allows for adjustments to pricing, policies, and operational procedures based on market trends and customer feedback.
- **Enhanced Quality Control:** Direct oversight of operations will ensure alignment with organizational goals and customer expectations.

- **Improved Customer Experience:** In-house staff trained in the organization's vision and values can provide personalized service.

By bringing the service in-house and improving operational efficiency, the organization can expect an increase in net profit. A detailed cost-benefit analysis was undertaken to validate this projection.

**Operational Considerations:**

- **Technology Integration:** Integration with organizational point-of-sale (POS) system, inventory management, and reservation system that can accommodate online and in person reservations 24 hours a day, 7 days a week, 365 days per year. Additionally, the City’s docking inventory will be expanded to include the 23 additional slips.
- **Infrastructure Maintenance:** The campground and facilities are City assets and are already included under the City’s comprehensive insurance portfolio and are subject to city inspection, and regular maintenance to ensure safety and risk is managed.
- **Staffing Needs:** Recruitment, onboarding, and training of staff will occur for operations, maintenance, and customer service in accordance with the Park Operational Performance Standards. The City actively recruits, trains, and manages a workforce that is knowledgeable, skilled, and able to deliver on the Park’s operational requirements. New opportunities to partner with third-party seasonal concession providers, such as food trucks or vendors to provide concession to the park facility providing additional revenue streams.
- **Equipment Needs:** To ensure effective operations, the following equipment will be required:
  - Mower: For maintaining green spaces and campsites.
  - Weed Whippers (x2): For detailed landscaping and trimming.
  - Mule: For staff transportation and hauling within the park.
  - Bobcat: For heavy-duty maintenance and snow clearing during the winter.
- **Regulatory Compliance:** Ensuring adherence to safety, environmental, and local government regulations. Supported by an internal escalation and response process, a security contract to undertake off hours, and to support gate closures would mitigate risk during off hours.

**Financial Projections:**

Campground Revenues	81 sites, \$45.00 per night average rate	\$355,000
Additional Revenue Sources	Dock rental fees, merchandise, firewood, storage, stage and park rentals, concession/food truck.	\$50,000
Operating Expenditures	Utilities, repairs and maintenance, materials and supplies, seasonal staffing salary and benefits, security	\$330,000
<b>Annual Net Income:</b> The estimated annual income from campsite rentals and additional revenues less the operating costs		<b>\$75,000</b>

**Startup Budget:** An initial startup budget of \$75,000 is recommended to cover all materials and equipment (identified in Equipment Needs) required for park operations.

## **Assumptions Behind Financial Projections include:**

### **1. Campground Occupancy Rates:**

- May: 14 days at 55% occupancy
  - June: 30 days at 80% occupancy
  - July & August: 31 days each at 90% occupancy
  - September: 30 days at 40% occupancy
  - October: 12 days at 30% occupancy
- \*based on historical trends

### **2. Opportunities for Growth:**

- Expanded operations into winter through partnerships or programming.
- Strategic marketing to attract more visitors.
- Rate adjustments, subject to Council review through a future Tariff of Fees and Charges Bylaw report.

This financial structure demonstrates the park's sustainability as a valuable community asset and its potential for increased profitability with targeted enhancements and effective management.

Revenues are based strictly on campground operations from May 1<sup>st</sup> to October 12<sup>th</sup>. Year-round activation is possible as well as expanding opportunities to drive revenue through rental and bookings for winter camping sites. Additional work and park activation could be demonstrated to Council for future planning.

## **Advantages of In-House Operations**

Bringing campground operations in-house presents significant opportunities for improved financial performance, enhanced customer satisfaction, and greater control over brand representation. However, the transition must be carefully managed to mitigate risks.

In addition to campground operations, Anicinabe Park provides an excellent venue to increase activation in all four seasons. Concerts, wedding/corporate events, children/youth/adult programming and day camp, rentals, winter camping, etc. In house operations provides the City with the ability to:

- Create and customize service and program offerings allowing the City the opportunity to create and deliver unique packages, promotions, and experiences, that align with organizational values and branding.
- Provide direct customer feedback: Enables quicker response to complaints and suggestions.
- Reduces dependency on external contractors, encouraging cost efficiency in the long term.

## **Risk Analysis**

The City of Kenora accepting the operations of Anicinabe park allow for following risks:

- **Minor Operational Risk:** Transitioning to in-house management may temporarily disrupt services.

Impact x Likelihood = Risk Level

Likelihood	Impact				
	Insignificant (1)	Minor (2)	Moderate (3)	Major (4)	Extreme (5)
Almost Certain (5)	M	H	H	C	C
Likely (4)	L	M	H	C	C
Possible (3)	L	M	M	H	H
Unlikely (2)	L	L	M	M	H

- **Moderate Risk – Staffing and Operational Capacity:** Adequate staffing will be critical to avoid impacting other City operations.
- **Moderate Risk – Financial Uncertainty:** Revenue may fluctuate due to external factors such as weather or competition.
- **Minor Risk – Reputational Impact:** Negative guest experiences could affect the City’s image.
- **Moderate Risk - Quality Control** - An external operator may not maintain the same level of quality in services, maintenance, or guest experiences as desired by the City.
- **Moderate Risk - Loss of Oversight** - The City would have limited control over day-to-day operations, which may result in decisions not aligned with the City's goals or community expectations.
- **Minor Risk - Reputational Impact-** Negative guest experiences or disputes with the operator could harm the City's reputation, even if the City is not directly responsible for the issues.
- **Minor Risk - Dependency on External Party** - Over-reliance on an external operator could create challenges if the operator fails to fulfill contractual obligations, goes out of business, or performs poorly.
- **Minor Risk - Potential for Misalignment with Community Goals** - An external operator may prioritize profit over community-oriented programming or inclusivity.
- **Moderate Risk - Legal and Contractual Risks** - Disputes or ambiguities in contract terms could lead to legal challenges, delays, or additional costs.
- **Minor Risk - Limited Flexibility for Future Changes** - Long-term contracts may restrict the City's ability to adapt operations based on emerging needs, such as year-round activation or expanded services.

**Appendix:**

Operational Standards Policy – Anicinabe Park

**Strategic Plan or another Guiding Document:**

Charting Our Course 2027 – Strategic Plan

3.1 Deliver coordinated four-season cultural and recreational infrastructure, programs, and events.

4.1 Deliver coordinated four-season cultural and recreational infrastructure, programs, and events.

4.2 Maximize human capacity and capability.